Harvest One Cannabis Inc.

Management's Discussion and Analysis

For the three months ended September 30, 2020

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements and related notes thereto of Harvest One Cannabis Inc. ("Harvest One" or "us" or "we" or "our" or the "Group" or the "Company") for the three months ended September 30, 2020 and the audited annual consolidated financial statements for the year ended June 30, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in thousands of Canadian dollars, except for share and per share amounts, unless otherwise stated. This MD&A has been prepared as of November 30, 2020 and includes certain statements that may be deemed "forward-looking statements". Additional information relating to the Company is available under the Company's profile at www.sedar.com.

FORWARD LOOKING STATEMENTS

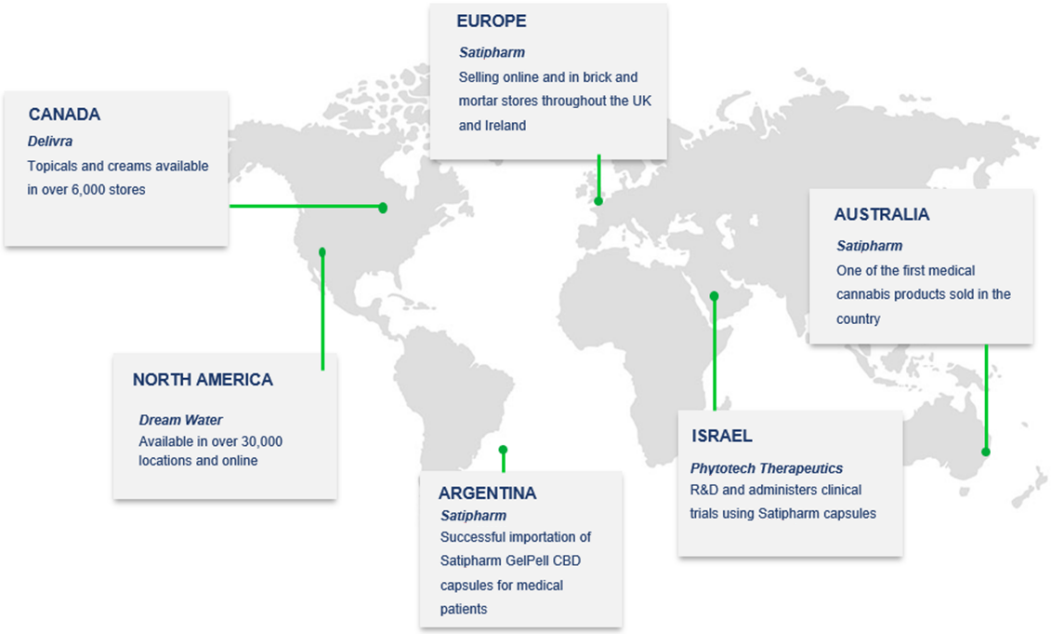
Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, "Forward-Looking Statements") and the Company cautions investors about important factors that could cause the Company's actual results to differ materially from those expressed, implied or projected in any Forward-Looking Statements included in this MD&A. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "expects", "will continue", "is anticipated", "anticipates", "may", "could", "believes", "estimates", "intends", "plans", "forecast", "projection" and "outlook") are not historical facts and may be Forward-Looking Statements that involve projections, estimates, assumptions, known and unknown risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such Forward-Looking Statements or otherwise be materially inaccurate. No assurance can be given that these expectations or assumptions will prove to be correct and such Forward-Looking Statements included in this MD&A should not be unduly relied upon. These Forward-Looking Statements speak only to management's beliefs and expectations as of the date of this MD&A and will be updated only as required by applicable securities laws. Accordingly, any such statements are qualified in their entirety by reference to the information discussed throughout this MD&A.

Certain of the Forward-Looking Statements relating to the recreational and medical cannabis industry contained within this MD&A are based on third-party information from publicly available government sources, market research and industry analysis. While the Company is not aware of any misstatement regarding any industry or government data presented herein, we have not independently verified any such third-party information.

The recreational and medical cannabis industry involves risks and uncertainties that may change based on various factors. The Company's Forward-Looking Statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A under the heading "Business Overview" as well as statements regarding the Company's objectives, plans, goals, future operating results, economic performance and patient acquisition efforts may make reference to or involve Forward-Looking Statements. See the discussion under the heading "Risks and Uncertainties" for further details.

The Company cautions that the list and description of the Forward-Looking Statements, risks, assumptions and uncertainties set out above is not exhaustive.

OUR GLOBAL FOOTPRINT



BUSINESS OVERVIEW

Harvest One is a global company that develops and distributes premium health, wellness, and self-care products with a market focus on sleep, pain, and anxiety. The Company is based in British Columbia ("BC"), Canada and its common shares (the "Common Shares") are listed on the TSX Venture Exchange ("TSX-V") under the symbol "HVT" and on the OTCQX® Best Market operated by OTC Market Group ("OTCQX") under the symbol "HRVOF".

On August 26, 2020 and October 15, 2020, Harvest One completed the divestiture of its only operational cannabis cultivation and processing business located in Duncan, BC, owned by United Greeneries as well as its 50.1% interest in Greenbelt, respectively, as part of its broader strategy to focus on the higher margin segments of the cannabis value chain and its consumer packaged goods ("CPG") brands. The company is now uniquely positioned in the cannabis space, with a focus on infused and non-infused CPG brands. By outsourcing the cultivation, manufacturing, and packaging processes, the Company will be able to better streamline its operating model by focusing on its core strengths and capabilities, significantly reduce operating costs, and strengthening its balance sheet.

Consumer Products

Dream Water focuses on sleep aids in a variety of formats and formulations. Dream Water manufactures and sells a 74 ml, 0-calorie, liquid sleep shot and a 3 gram sleep powder sachet to promote relaxation and support restful sleep.

Delivra manufactures and sells a range of natural topical creams for joint and muscle pain, nerve pain, varicose veins, and wound healing under the LivRelief™ brand.

Medical and Nutraceutical

Satipharm is an international medical and nutraceutical cannabis company focused on the delivery of cannabinoids through oral delivery technologies, currently servicing markets in the United Kingdom, Ireland, Australia and Argentina, and expanding distribution into New Zealand, further into Europe, and elsewhere around the globe when and where legal. Satipharm holds the exclusive global marketing and distribution rights to the Gelpell® Microgel technology for all cannabinoids. In November 2019, Health Canada granted United Greeneries permission to import CBD Gelpell® capsules into Canada for research and development purposes.

PhytoTech develops cannabinoid-based drug products for a variety of clinical trials to service the medical market. PhytoTech was also responsible for administrating the successful clinical trials using Satipharm's proprietary CBD Gelpell® microsphere capsules ("CBD Gelpell® capsules").

Cultivation

United Greeneries is licensed to produce and sell cannabis under the Cannabis Act (the "Act") in the recreational and medical markets. United Greeneries originally received its licence to cultivate medical cannabis under the *Access to Cannabis for Medical Purposes Regulations* (the "ACMPR") on June 28, 2016, and on October 13, 2017 received an amendment to its licence to allow for the sale of medical cannabis products to the public (the "UG Licence"). The UG Licence has been migrated to a valid, equivalent licence under the Act to allow for the sale of cannabis in the recreational market in addition to medical cannabis products. The UG License was further amended in September 2019 to allow for the sale of cannabis oil products. The UG Licence is registered to United Greeneries' Duncan facility located at 5250 Mission Road, Duncan, BC (the "Duncan Facility"). In October 2019, United Greeneries received a cultivation licence from Health Canada for Phase 1 of its new modular expansion facility located adjacent to the Duncan Facility (the "Mission Road Facility").

On August 26, 2020, the Company completed the sale of its United Greeneries' licensed cannabis cultivation and processing businesses (the "Duncan Transaction") located in Duncan, British Columbia to Costa Canna Production Limited Liability Partnership ("Costa LLP") and 626875 B.C. Ltd. (together with Costa LLP, the "Purchasers") for total cash consideration of $8,200. Upon closing of the Transaction, the Company effected a licence agreement with the Purchasers, which provides Costa LLP, through its licensed subsidiary, with the right to use certain licensed intellectual property of the Company to produce and distribute Cannabis 2.0 products in Canada in exchange for a royalty to be paid to the Company and, in turn, provide the Company with distribution for Cannabis 2.0 products in Canada.

Greenbelt Greenhouse Ltd. ("Greenbelt") owns a 152,000 square foot greenhouse facility (the "Greenbelt Facility"). The Company's 50.1% interest in Greenbelt has been identified as a non-core asset. On October 15, 2020, the Company completed the sale of its interest in Greenbelt for cash proceeds of approximately $2,850.

Our Brands

Dream Water is a leading natural sleep aid. There are currently two distinct product lines: sleep and beauty. Each of the lines is carefully designed to offer a different experience for the consumer based on their lifestyle. Dream Water products are available in over 30,000 stores throughout the United States ("US") and Canada. The Dream Water formula is adaptive and can be formulated into a number of delivery formats beyond liquids. Dream Water has received the NSF International Certified for Sport® designation which allows the Company to sell products to professional sport teams and athletes who undertake drug testing.

Delivra manufactures and sells an expanding line of natural topical pain relief creams with a proprietary transdermal delivery system platform under the LivRelief™ brand, for conditions such as joint and muscle pain, nerve pain, varicose veins, wound healing, and sports performance. LivRelief™ products are currently available in approximately 6,000 retail locations across Canada. In April 2020, LivRelief™ launched CBD- and THC-infused topical formulations under the new Cannabis 2.0 regulations.

Satipharm specializes in the development of cannabinoid wellness products. Its current products are CBD-only products, sold as CBD Gelpell® capsules and CBD oil. The CBD Gelpell® capsules products utilize cannabis extracts sourced from Europe and processed and manufactured in Luxembourg and Switzerland-based GMP-certified production facilities, respectively. Satipharm's CBD oil products are similarly GMP-certified and are sourced from the US. Satipharm currently sells its products in the United Kingdom, Ireland, Australia and Argentina. In April 2020, Satipharm introduced two new variants of its CBD Gelpell® capsules, which are infused with vitamins to support physical and mental wellbeing.

Global Distribution

KEY FINANCIAL RESULTS

Select Financial Information	2020 $	For the three months ended September 30 2019 $	2018 $
Net revenue	**1,907**	2,027	1,071
Gross profit	**544**	389	(55)
Expenses	**3,534**	5,624	5,787
Loss from operations	**(2,990)**	(5,235)	(5,842)
Net loss attributable to common shareholders	**(3,754)**	(5,261)	(5,795)
Net loss per share – basic and diluted	**(0.02)**	(0.02)	(0.03)
Weighted average number of Common Shares	**215,079,486**	213,666,344	173,621,452
Adjusted EBITDA[(1)]	**(1,603)**	(3,260)	(3,738)
Total assets	**47,705**	57,844	104,174
Total non-current liabilities	**2,108**	2,080	—

(1) Defined as loss from operations before interest, taxes, depreciation and amortization and adjusted for share-based compensation, common shares issued for services, fair value effects of accounting for biological assets and inventories, asset impairment and write-downs, and other non-cash items, and is a non-GAAP measure discussed in the “Adjusted EBITDA” section.

SIGNIFICANT AND RECENT DEVELOPMENTS

Corporate

a) Review of Strategic Alternatives

On February 12, 2020, the Company's Board of Directors initiated a process to evaluate a range of strategic alternatives available to the Company (the "Strategic Review"). AltaCorp Capital Inc. and Mackie Research Capital Corporation were appointed to act as exclusive financial advisors to the Company with respect to the Strategic Review. The Board of Directors appointed a special committee of independent directors (the "Special Committee") to oversee the Strategic Review. The Company has not established a definitive timeline to complete the Strategic Review.

During the three months ended September 30, 2020, the Company announced the following transactions:

- On August 26, 2020, Harvest One completed the sale of the United Greeneries licensed cannabis cultivation and processing businesses located in Duncan, British Columbia to Costa LLP and 626875 B.C. Ltd. (together with Costa LLP, the "Purchasers") for total cash consideration of $8,200 (the "Duncan Transaction"). Upon closing of the Duncan Transaction, the Company would effect a licence agreement with the Purchasers, which would provide Costa LLP, through its licensed subsidiary, with the right to use certain licensed intellectual property of the Company to produce and distribute Cannabis 2.0 products in Canada in exchange for a royalty to be paid to the Company and, in turn, provide the Company with distribution for Cannabis 2.0 products in Canada (the "Licence Agreement").

  In conjunction with the closing of the Duncan Transaction, the previously-announced: (i) $1,500 Bridge Facility from Costa LLP, including the $25 commitment fee under the Bridge Facility; and (ii) the secured loan from MMJ, including interest and legal fees, totaling $2,206 were repaid in full. In addition, upon closing of the Duncan Transaction, pursuant to a finder's fee agreement entered into on February 26, 2020, between the Company and Mr. Andreas Gedeon relating to the Duncan Facility, the Company paid an arms-length finder's fee in the amount of $253 to Mr. Gedeon

- On October 15, 2020, Harvest One completed the completed the sale of its 50.1% majority interest in Greenbelt for cash proceeds of approximately $2,850 (the "Greenbelt Transaction"). The divestiture of Greenbelt will provide additional cash proceeds to support the expansion of the Company's core business lines and continuing operations.

As the commoditization of cannabis cultivation accelerates, the Company continues to review its non-core assets in order to reduce its overall exposure to pure cultivation and redirect its efforts and resources on brand development, production and distribution. To this end, the Company has suspended active development of its Lucky Lake Facility and continues to evaluate all strategic alternatives and potential sales of additional non-essential assets including its Lucky Lake facility.

The Company will continue to explore other strategic alternatives for its operations that are currently deemed not critical to the Company's brand development, production and distribution strategy. There is no assurance that any further strategic transaction or transactions will result from the Strategic Review.

b) Leadership Changes

On March 19, 2020, the Company appointed Andy Bayfield, formerly the Company's Chief Commercial Officer, to the position of Interim Chief Executive Officer. In addition, Mr. Bayfield was appointed to the Company's Board of Directors. Concurrent with the appointment of Mr. Bayfield, the Board also appointed Frank Holler to the position of Executive Chairman, from Chairman of the Board of Directors. Mr. Holler has also served as Chair of the Special Committee overseeing the Strategic Review. The Company also accepted the resignation of Grant Froese from the position of Chief Executive Officer, and from the Board of Directors.

Andrew Kain transitioned from his roles as Chief Operating Officer ("COO") and General Counsel effective June 30, 2020, and will continue to work with Harvest One in a contractual capacity, advising the CEO and the Special Committee of the Board in the completion of its ongoing Strategic Review. In addition, Mr. Aaron Wong resigned as Chief Financial Officer ("CFO") of Harvest One effective June 30, 2020. Mr. Marc Tran was appointed as Interim Chief Financial Officer effective July 1, 2020.

On October 9, 2020, Andy Bayfield resigned as Interim Chief Executive Officer. Gord Davey was appointed as President and Interim Chief Executive Officer of the Company. Mr. Davey was also appointed as a member of the Board of Directors. In addition, the Company announced that Peter Wall, Chairman of MMJ, Harvest One's largest shareholder, would resign from the Board of Directors effective October 31, 2020. MMJ changed its policy to remove its officers from investee company boards and was granted Observer status. Mr. Wall will continue to serve as the Non-Executive Chairman of MMJ. The Company also announced the resignation of Deb Milimaka Miles from her role as Chief Administration Officer and Chief People Officer.

Product Development and Licensing

a) US Patent Covering Gelpell® Technology

On November 12, 2020, the Company announced that the United States Patent and Trademark Office has granted Satipharm US Pat No. 10,555,906 covering Satipharm's proprietary Gelpell® technology. This issued patent, titled "Oral solid cannabinoid formulations, methods for producing and use thereof", protects Satipharm's licenced Gelpell® technology in the United States with respect to diverse cannabinoid formulations, including pure CBD products and combinations of cannabinoids such as full spectrum products. The patent covers compositions including oral solid dosage forms and also covers therapeutic applications for the treatment of various disorders and conditions.

The need for effective oral delivery of cannabinoids is essential for the development of stable and predictable therapeutic treatments. The patented compositions feature the high bioavailability of the Gelpell® technology, as well as prolonged stability at room temperature, two critical factors in achieving predictable treatments.

Impact of the COVID-19 Pandemic

At the time of this MD&A, the World Health Organization (the "WHO") has declared a pandemic stemming from COVID-19. The pandemic has had far-reaching impacts on every business and every individual globally. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, have negatively affected the Company's operations as total net revenue for both continued and discontinued operations have decreased by an average of 2% since the last fiscal quarter. Furthermore, net revenue of continued business for the three months ended September 30, 2020 have decreased by 6% compared the same period last year. For the time being and until economies stabilize, Harvest One has shifted its strategic approach in the manner in which it operates its business, provides affordable and high quality products to its customers, and ensures that its workplaces have appropriate measures put in place to limit social interactions and enforce social distancing measures. At the same time, the Company has also taken steps to alter its marketing methods, conserve cash, and maintain an overall strategic direction to improve the quality of life of its consumers.

The Company has defined its strategic approach with its business continuity plan during this global crisis as follows:

- prioritizing the physical and mental health of its employees;
- prudent cash management by limiting expansion and altering marketing efforts to focus on the already established markets of the Company;
- ensuring the safety and cleanliness of all of its products and workplaces;
- ensuring continuity of health services and treatment for consumers, following appropriate safety guidelines;
- maintaining continuity of production operations and the ensuing supply chain; and
- building a strong strategic position and ensuring sales growth in the Cannabis 2.0 market.

The production and sale of cannabis and cannabis-related products were deemed an essential service in Canada and Europe, allowing for the continued operations of the cultivation and medical and nutraceutical segments, respectively. Furthermore, pharmacies, grocery stores, and convenience stores where Dream Water and LivRelief™ products are sold are considered essential retail in North America. The Company implemented a strategic plan to refocus on the Company's core strengths of product development, brands and distribution, while also committing to cost reductions prior to the pandemic in the second quarter of fiscal 2020. This strategic plan remained in place and the Company was successful in reducing operating expenses during the calendar 2020, including the first fiscal quarter ended September 30, 2020.

The Company has taken precautionary measures to safeguard the health of its employees during this unprecedented time. This includes, but is not limited to, the following:

- movement to work-from-home programs, where possible,
- suspension of all business-related travel,
- health screening measures for employees returning from travel,
- requirement for full personal protective equipment in the Duncan Facility, and
- enhanced sanitation measures in the Duncan Facility.

Ensuring that consumers continue to have safe and uninterrupted access to the Company's products, as well as maintaining high quality growth, cultivation, production, manufacturing and distribution capabilities, will be critical to the Company's success. Cost reductions in salaries, marketing and other administrative functions have been implemented. Capital expenditure programs have been postponed, where possible.

Although there have not been any significant impacts to the Company's operations to date, the Company cannot provide assurance that there will not be disruptions to its operations in the future. The COVID-19 pandemic presents several unpredictable variables on the economy and the markets within which the Company operates, making it difficult to accurately forecast upcoming results. In spite of this, the Company's core focus will be on implementing the Strategic Review and closely monitoring the development of COVID-19 to focus its resources on navigating and adapting to the situation as it unfolds. The Company remains optimistic regarding its Strategic Review to refocus on its core strengths as described above. Refer to the "Risks and Uncertainties" section below for further discussion on the potential impacts of COVID-19.

OUTLOOK

Management anticipates sales volumes, net revenues, and adjusted EBITDA to improve throughout the next fiscal year due to a full year of new cannabis 2.0 derivative products sold to the Canadian market, improvements in gross margin, and a continued focus on reducing overhead costs.

Cannabis 2.0

Harvest One's initial Cannabis 2.0 product offerings include a selection of pain relief topical creams, oils, and vape pen cartridges. The cannabis-infused topical creams utilize Delivra's transdermal technology designed to penetrate the skin, enabling effective, fast absorption, and controlled release of active ingredients directly to the target area. The topical creams are available in two 50mg SKUs: (1) a CBD formulation containing 250mg of CBD and (2) a balanced 1:1 formulation containing 125mg of CBD and 125mg of THC. The Company plans on selling its LivRelief™ cannabis-infused topical creams in the US marketplace when regulations permit.

Consumer

Dream Water continues to be forward-thinking with respect to international compliant formulas and line extensions in both the sleep-aids and CBD markets, including lines of products with multiple delivery formats for both categories. Formulation of CBD-infused Dream Water continues to advance and will enter the market when regulations allow in the US. The Company continues to build out a pipeline of innovation that addresses consumers' growing demand for effective sleep aids, in both OTC and cannabinoid-infused formats.

Medical and Nutraceutical

Satipharm continues to ramp up sales of its 10 mg full spectrum CBD Gelpell® capsules and CBD oil online and through brick-and-mortar distribution channels. In calendar 2020, Satipharm expanded its product offerings to include two new CBD Gelpell® co-formulations: Active and Focus. These new ranges combine CBD with select vitamins designed to address specific consumer needs, using the Company's patented Gelpell® technology to deliver CBD in seamless microbeads that are clinically proven to increase bioavailability. The Active line includes vitamins A, D, E, and K to support general body health and movement, whereas the Focus formulation includes vitamin B to support mental wellbeing.

FINANCIAL REVIEW

The Company operates in two reportable segments: medical and nutraceutical (Satipharm and PhytoTech) and consumer (Dream Water and Delivra). The following is a break-down of the gross profit (loss) by segment for the periods ended September 30, 2020, and 2019, respectively:

	For the three months ended September 30, 2020			For the three months ended September 30, 2019		
	Medical and Nutraceutical $	Consumer $	Total $	Medical and Nutraceutical $	Consumer $	Total $
Net revenue	**85**	**1,822**	**1,907**	299	1,728	2,027
Inventory expensed to cost of sales	**96**	**1,070**	**1,166**	247	1,391	1,638
Inventory write-down	**(110)**	**307**	**197**	—	—	—
Gross profit	**99**	**445**	**544**	52	337	389

Net revenue

Revenue is comprised of sales of: (1) CBD Gelpell® capsules in the United Kingdom, Ireland, Australia and Argentina; (2) Dream Water liquid sleep shots and sleep powder packets in Canada and the US; and (3) Delivra natural topical pain relief creams in Canada.

For the three months ended September 30, 2020, net revenue remained consistent at $1,907 compared to $2,027 in the same period in the prior year. The $120 decrease in net revenue was due to: (1) $214 decrease in the medical and nutraceutical segment, offset by (2) $94 increase in the consumer segment.

Inventory expensed to cost of sales

For the medical and nutraceutical and consumer segments, costs of sales relate to the deemed cost of inventory that is expensed when sold. The cost per unit is expected to decrease as economies of scale are achieved.

For the three months ended September 30, 2020, cost of sales was $1,166, compared to $1,638 in the same period in the prior year. The $472 decrease in cost of sales was due to: (1) $151 decrease in the medical and nutraceutical segment consistent with the percent decrease in net revenue recognized in the same segment, and (2) $321 decrease in the consumer segment is attributable to the prior year inclusion of a $357 non-recurring non-cash fair value charge on inventory related to the acquisition of Delivra.

Inventory write-down

For the three months ended September 30, 2020, inventory write down was $197 compared to $nil in the prior year. The Company regularly assesses the net realizable value of its inventory and recognized a write-down of $307 to reduce the carrying amount of its packaging and supplies inventory. This write-down was offset by a $110 reversal of the inventory valuation allowance recognized within the medical and nutraceutical segment upon the sale of inventory during the period.

Gross margin

The table below outlines gross profit (loss) and gross margin for the three months ended September 30, 2020 and 2019, respectively.

	For the three months ended September 30	
	2020 $	2019 $
Net revenue	**1,907**	2,027
Cost of sales	**1,166**	1,638
Inventory write-down	**197**	—
Gross profit	**544**	389
Gross margin	**29%**	19%

Gross margin for the three months ended September 30, 2020 was 29%, compared to 19% in the same period in the prior year. The increase was attributable to the inclusion of a $357 non-recurring non-cash fair value charge on inventory related to the acquisition of Delivra recognized in cost of sales during the period ended September 30, 2019. This was offset by a $197 increase in inventory write-downs during the period ended September 30, 2020 as described above.

Expenses

	For the three months ended September 30	
	2020 $	2019 $
General and administration	**1,975**	3,498
Sales and marketing	**206**	792
Research and development	**—**	112
Depreciation and amortization	**798**	525
Share-based compensation	**392**	697
Severance and reorganization costs	**163**	—
	3,534	5,624

Total expenses decreased by $2,090 for the three months ended September 30, 2020 compared to the same period in the prior year. The decrease is primarily due to lower general and administration as well as sales and marketing expenses as descrived below.

General and administration

General and administration expenses decreased by $1,523 (44%) for the three months ended September 30, 2020 compared to the same period in the prior year, as the Company has been focusing on operational changes and cost reductions since its announcement of the Strategic Review in February 2020. As a result of these cost reductions, the Company has incurred lower salaries, bonus, and benefits; office and general; and travel expenses in the current period.

Sales and marketing

Sales and marketing expenses decreased by $586 for the three months ended September 30, 2020 compared to the same period in the prior year due to due to efforts to create brand awareness for the Company's cannabis, Satipharm, and Dream Water products during the prior fiscal year. Sales and marketing expenditures decreased during the current fiscal year as a result of cost reductions.

Research and development

Research and development expenses decreased by $112 for the three months ended September 30, 2020 compared to the same period in the prior year due to the timing of research and development of new cannabis-infused products for Cannabis 2.0, including cannabis infused topical creams, which was mostly incurred in the first and second quarters of the prior fiscal year.

Depreciation and amortization

Depreciation and amortization increased by $273 for the three months ended September 30, 2020 compared to the same period in the prior year due to the amortization of intangible assets which were previously recognized as indefinite-life assets.

Share-based compensation

Share-based compensation decreased by $305 for the three months ended September 30, 2020 compared to the same period in the prior year. The decrease is attributable to certain tranches of options having become fully vested, resulting in a lower overall share-based compensation expense during the period ended September 30, 2020.

Severance and reorganization costs

Severance and reorganization costs increased by $163 for the three months ended September 30, 2020 compared to the same period in the prior year due to $150 paid to the former Chief Operating Officer and General Counsel in accordance with the terms of a mutual separation agreement.

The year-over-year decrease is primarily due to severance payments of $870 made to the former Chief Executive Officer and former Chief Financial Officer of the Company.

Other (expense) income

	For the three months ended September 30	
	2020	2019
	$	$
Interest and finance costs	**(149)**	(64)
Loss on investment in associate	**—**	(151)
Foreign exchange gain	**27**	—
	(122)	(215)

Other expense decreased by $93 for the three months ended September 30, 2020 compared to the same period in the prior year. The decrease is primarily attributable to the sale of Burb recognized during the current calendar year.

Interest and finance costs

Interest and finance costs increased by $85 for the three months ended September 30, 2020 compared to the same period in the prior year due to interest paid on the loan payable to MMJ, which was fully repaid during the quarter upon the closing of the Duncan Transaction.

Loss on investment in associate

Loss on investment in associate decreased by $151 for the three months ended September 30, 2020 compared to the same period in the prior year due to the sale of the Company's 19.99% equity investment in Burb on February 25, 2020, resulting in no further recognition of losses on investment in associate.

Adjusted EBITDA (non-GAAP measure)

	For the three months ended September 30	
	2020 $	2019 $
Loss from operations	**(2,990)**	(5,235)
Inventory write-down	**197**	—
	(2,793)	(5,235)
Fair value adjustment in cost of sales	**—**	357
Depreciation and amortization	**798**	525
Share-based compensation	**392**	697
Issuance of common shares for services	**—**	396
	1,190	1,975
Adjusted EBITDA	**(1,603)**	(3,260)

For the three months ended September 30, 2020, adjusted EBITDA was ($1,603), compared to ($3,260) in the same period in the prior year. The $1,657 increase was primarily due to a decrease in cash expenses resulting in a lower loss from operations, in addition to the recapture of non-cash expenses as described in Gross Margin and Expenses above.

LIQUIDITY AND CAPITAL RESOURCES

Management of the Company is consistently working to monitor and manage the Company's capital resources to assess if it has access to adequate liquidity to fund its operations. Management's objectives with respect to liquidity and capital structure are to generate sufficient cash to fund the Company's existing operations and growth strategy.

	For the three months ended September 30	
	2020 $	2019 $
Cash used in operating activities	**(3,276)**	(10,205)
Cash provided by (used in) investing activities	**8,200**	(2,578)
Cash used in financing activities	**(3,734)**	(95)
Effect of foreign exchange on cash	**(587)**	(151)
Change in cash during the year	**603**	(13,029)

Cash used in operating activities was $3,276 for the three months ended September 30, 2020 compared to $10,205 for the same period in the prior year. The $6,929 decrease is due to a decrease in operational spending from the implementation of the Company's strategic plan in the second quarter of fiscal 2020.

Cash provided by investing activities was $8,200 for the three months ended September 30, 2020 compared to $2,578 cash used in investing activities for the same period in the prior year. The $10,778 increase in cash provided is mainly attributable to: (1) $8,200 cash received upon the closing of the Duncan Transaction and (2) $nil purchases of property, plant and equipment during the current quarter due to the suspension of the Lucky Lake project in calendar 2020.

Cash used in financing activities was $3,734 for the three months ended September 30, 2020 compared to $95 for the same period in the prior year. The $3,639 increase in cash used is attributable to the repayment the MMJ Loan and Bridge Facility from Costa LLP with proceeds received upon the closing of the Duncan Transaction.

The nature of the Company's current business and the source of revenue from operations is the sale of cannabis infused products, as well as the production and sale of Dream Water's sleep aid products, Delivra's pain relief creams, and Satipharm's CBD Gelpell® capsules. However, the Company's ability to continue in the normal course of operations is dependent on actions by management achieving profitable operations and raising additional capital. Management believes it will be able to raise capital as required in the long-term, but recognizes the risks attached thereto including without limitation, risks due to changing market conditions. Historically the capital requirements of the Company have been met by equity and debt subscriptions for securities of the Company. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in the dilution to the value of such interests. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable to the Company. If adequate financing is not available when required, the Company may be required to delay, scale back, or eliminate various projects and programs, and may be unable to continue in operation. If the Company is unable to achieve profitable operations or raise additional funds it may require, it could have a material adverse effect on the Company's financial condition and future profitability.

The Company incurred a consolidated net loss of $3,754 and negative operating cash flows of $3,276 for the three months ended September 30, 2020 and had an accumulated deficit of $138,061 as at September 30, 2020. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values, in particular goodwill and other intangible assets, and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements. Management acknowledges that in the absence of securing additional capital there is uncertainty over the Company's ability to meet its funding requirements as they fall due.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Net revenue $	Gross (loss) profit $	Net loss $	Basic and diluted loss per share $
September 30, 2020	1,907	544	(3,754)	(0.02)
June 30, 2020	2,336	(1,859)	(24,398)	(0.06)
March 31, 2020	2,003	477	(35,410)	(0.16)
December 31, 2019	2,018	362	(16,155)	(0.07)
September 30, 2019	2,027	389	(5,430)	(0.02)
June 30, 2019	2,114	956	(13,707)	(0.07)
March 31, 2019	1,094	445	(5,131)	(0.03)
December 31, 2018	1,703	670	(3,332)	(0.02)

Net revenue for the first quarter of fiscal 2021 decreased compared to the fourth quarter of fiscal 2020 due to launch and initial load-ins of LivRelief™ cannabis-infused topical creams beginning in the prior quarter. Gross profit for the first quarter of fiscal 2021 decreased compared to the fourth quarter of fiscal 2020 due to $2,252 of inventory write-downs to net realizable value in the prior quarter offset by $197 in the current quarter. Net loss for the first quarter of fiscal 2021 decreased compared to the fourth quarter of fiscal 2020 due to expenses recognized in the prior quarter, including goodwill impairment and loss recognized on the remeasurement of the disposal group.

SHARE CAPITAL

The Company has an unlimited number of Common Shares authorized and the following securities outstanding:

	September 30 2020	As at the date of this MD&A
Common stock	215,079,486	215,079,486
Secondary warrants	600,002	600,002
Convertible debentures warrants	5,901,182	5,901,182
Dream Water warrants	517,000	517,000
MMJ warrants	17,083,333	17,083,333
Stock options	20,140,036	18,856,036

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The following expenses were paid to key management personnel of the Company:

	For the three months ended September 30	
	2020 $	2019 $
Salaries and benefits	**230**	551
Severance costs	**150**	—
Consulting fees	**—**	—
Directors' fees	**48**	33
Share-based compensation	**183**	431
Total	**611**	1,015

a) *Payments to related parties*

As at September 30, 2020, there was $106 directors' fees (June 30, 2020 – $117) and $45 bonus payments (June 30, 2020 – $643) included in accounts payable and accrued liabilities.

b) *Severance payments*

During the three months ended September 30, 2020, the Company paid $150 to the former Chief Operating Officer and General Counsel in accordance with the terms of a mutual separation agreement, which is included in severance and reorganization costs.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company and its subsidiaries enter into contractual agreements from time to time relating to on-going business activities. As at September 30, 2020, the Company has the following total commitments:

	Less than 1 year $	Total $
Capital commitments	595	595
	595	**595**

a) *Capital commitments*

Capital commitments include amounts committed for Gelpell® production equipment.

b) *Litigation*

During the year ended June 30, 2020, United Greeneries Operations Ltd. ("United Greeneries Operations"), a subsidiary of the Company, was named as the defendant in a civil claim (the "Claim") filed in the Supreme Court of British Columbia in respect of the termination of the lease agreement for land and property in Aldergrove, British Columbia in August 2018. The plaintiff filed a summary trial motion in March 2020 in which it seeks an order for damages for breach of the lease agreement plus court costs and statutory pre-judgment interest. In June 2020, United Greeneries Operations filed a response in defense of the Claim and filed its own summary trial motion. A court date to hear the motions has been set for December 14, 2020. Management's assessment, based on its interpretation of the agreement and independent legal advice, is that the plaintiff may be partly successful with the Claim up to $415, subject to a set-off claim by United Greeneries Operations against the plaintiff seeking the return of a $70 deposit paid in accordance with the terms of the lease and possession of certain security and electronic equipment held by the plaintiff, and it is possible that there will be a future cash outflow made by United Greeneries Operations.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign exchange risk, credit risk, interest rate risk, and liquidity risk.Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at September 30, 2020, the Company is exposed to foreign currency risk through its bank accounts denominated in United States Dollars ("USD"), Euros ("Euros"), British Pounds ("GBP"), Swiss Francs ('CHF"), Australian Dollars ("AUD"), and Israeli New Shekel ("ILS"). A 10% appreciation (depreciation) of USD, Euros, GBP, CHF, AUD, or ILS against the CAD, with all other variables held constant, would result in an immaterial change in the Company's loss and comprehensive loss for the year.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade accounts receivable. The Company's cash and accounts receivable are exposed to credit risk. The risk for cash is mitigated by holding these instruments with highly rated financial institutions. The Company provides credit to its customers in the normal course of business and has mitigated this risk by managing and monitoring the underlying business relationships. As at September 30, 2020, the Company is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at September 30, 2020, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities have maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company has current assets of $19,094 and current liabilities of $12,861. The Company addresses its liquidity through debt or equity financing obtained through the sale of convertible debentures and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Further, the Company's ability to fund operations, to execute its growth strategy and to meet scheduled financial commitments depends on the Company's future operating performance and cash flows as well as capital raising, all of which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond the Company's control. See also "Liquidity and Capital Resources".

Fair value hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

During the three months ended September 30, 2020, there were no transfers of amounts between fair value levels.

Cash is classified as a Level 1 financial instrument. The Company's other financial instruments, including accounts receivable, current portion of lease receivable, promissory note and accounts payable and accrued liabilities are carried at cost which approximates fair value due to the relatively short maturity of those instruments. The carrying value of the Company's non-current portion of lease receivable, loans and borrowings approximate fair value as they bear a market rate of interest.

NON-GAAP MEASURES

Adjusted EBITDA and gross margin before fair value adjustments are non-GAAP measures used by management that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines adjusted EBITDA as the loss from operations, as reported, before interest, taxes, depreciation and amortization and adjusted for share-based compensation, common shares issued for services, the fair value effects of accounting for biological assets and inventories, asset impairment and write-downs and other non-cash items. Management defines gross margin before fair value adjustments as a percentage of gross profit (loss) before fair value adjustments of accounting for biological assets and inventory over net revenue. Management believes both measures are useful financial metrics to assess the Company's operating performance on a cash basis before the impact of non-cash items, and on an adjusted basis as described above.

RISKS AND UNCERTAINTIES

This section discusses factors relating to the business of Harvest One that should be considered by both existing and prospective investors. The information in this section is intended to serve as an overview and should not be considered comprehensive, and Harvest One may face additional risks and uncertainties not discussed in this section, or not currently known to the Company, or that the Company deems to be immaterial. All risks to Harvest One's business have the potential to influence its operations in a materially adverse manner.

Additional Financing

There is no guarantee that the Company will be able to execute on its planned strategy. The continued development of the Company requires additional financing and completion of non-core asset divestitures in connection with the Strategic Review. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

New well-capitalized entrants may develop large-scale operations

Currently, the cannabis industry generally is comprised of individuals and small to medium-sized entities, however, the risk exists that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of larger or a larger number of dispensaries and cultivation and production facilities, which trend is now being observed by the Company. These potential competitors may have longer operating histories, significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources, and be larger and better capitalized. Larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use cannabis industry. While the approach of most laws and regulations seemingly deters this type of takeover, this industry remains nascent and as indicated above this trend is being observed, so what the landscape will be in the future remains largely unknown.

The Company's proposed business plan is subject to all business risks associated with new business enterprises, including the absence of any significant operating history upon which to evaluate an investment. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation of a new business, the development of new strategy and the competitive environment in which the Company operates. It is possible that the Company will incur losses in the future. There is no guarantee that the Company will be profitable.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC) and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Company's securities should not place undue reliance on such articles and reports. Future research studies may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions relating to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces the inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a manufacturer and distributor of adult-use and medical cannabis, or in its role as an investor in, or service provider to, an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis, the Company may be subject to various product liability claims, including, among other things, that the cannabis product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the reputations of that product and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Risks related to vaping and vaping products

On October 4, 2019, the U.S. Food and Drug Administration issued a warning to the public to stop using vaping liquids containing cannabis derivatives and ingredients, such as CBD and THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. Such warnings appear to be particularly focused on the use of vaping liquids purchased from unlicensed or unregulated retailers. Lung injuries associated with the use of cannabis derivatives containing vaping liquid have equally been reported in Canada but to a lesser extent. In response, Health Canada has issued an information update advising Canadians who use cannabis derivatives containing vaping liquids to monitor themselves for symptoms of pulmonary illness. There may be further governmental and private sector actions aimed at reducing the sale of cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. These actions, combined with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for vaporizer products. Federal, provincial and local regulations or actions that prohibit or restrict the sale of vaporizer products including cannabis derivative vaping liquids, or that decrease consumer demand for the Company's products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the financial condition and results of operations of the Company.

If the Company's vaporizer products become subject to increased taxes it could adversely affect the Company's business

Supply to the Company's customers is sensitive to increased sales taxes and economic conditions affecting their disposable income. Discretionary consumer purchases, such as of vaporization products and consumption accessories, may decline during recessionary periods or at other times when disposable income is lower and taxes may be higher. Presently, the sale of vaporization products and certain other consumption accessories is, in certain jurisdictions, subject to federal, provincial and municipal excise taxes like the sale of conventional cigarettes or other tobacco products, all of which generally have high tax rates and have faced significant increases in the amount of taxes collected on their sales. Other jurisdictions are contemplating similar legislation and other restrictions on electronic cigarettes and certain other vaporizer products. Should federal, provincial and municipal governments and/or other taxing authorities begin or continue to impose excise taxes similar to those levied against conventional cigarettes and tobacco products on vaporization products or consumption accessories, it may have a material adverse effect on the demand for those products, as consumers may be unwilling to pay the increased costs, which in turn could have a material adverse effect on the Company's business, results of operations and financial condition. The Company could also become involved in regulatory or agency proceedings, investigations and audits. The Company's business, and the business of the suppliers from which the Company acquires the products it sells, requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company or such suppliers to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company or such suppliers may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation or the reputations of the brands that it sells, requires it to take, or refrain from taking, actions that could harm the Company's operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operations.

Risks Related to the COVID-19 Pandemic

Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as COVID-19, may adversely affect the Company. The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In December 2019, COVID-19 was reported to have surfaced in Wuhan, China. On January 30, 2020, the WHO declared the outbreak a global health emergency. On March 11, 2020, the WHO expanded its classification of COVID-19 to a worldwide pandemic. Federal, state, provincial and municipal governments in North America and Australia have now begun enacting measures to combat the spread of COVID-19. During March and April 2020, many governments ordered all but certain essential businesses closed and imposed significant limitations on the circulation of the populace. Furthermore, certain illnesses may be transmitted through human or surface contact, and the risk of contracting such illnesses could cause employees and customers to avoid gathering in public places, as was the case in many places from February to April 2020 due to concerns about COVID-19.

The Company expects to experience some short to medium term negative impacts from COVID-19; however, the extent of such impacts is currently unquantifiable, but may be significant. Such impacts include, with respect to its operations, its suppliers' operations and its customers' operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, increased government regulation, public health emergency and similar declarations and could include other increased government regulations, reduced sales, and potential supply and staff shortages, all of which are expected to negatively impact the business, financial condition and results of operations of the Company and thus may impact the ability of the Company to comply with financial covenants, satisfy its obligations to its lenders and other parties, which may in turn may adversely impact, among other things, the ability the Company to access debt or equity capital on acceptable terms or at all.

The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Company's facilities. Should an employee or visitor in any of the Company's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk. The 2020 outbreak of COVID-19 is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines and applicable healthy authority recommendations.

Such public health crises can result in volatility and disruptions in supply and demand, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk, inflation and, as a result, demand for our end customers' products and our operating results.

Disruption of Supply Chain

Conditions or events including, but not limited to, those listed below could disrupt the Company's, and other industry participant's, supply chains, interrupt operations, increase operating expenses, and thereby result in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Risks Related to the COVID-19 Pandemic"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road. The extent to which COVID-19 or any other contagious disease impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of this or any other outbreak and the actions to contain those outbreaks or treat its impact, among others.

Global Economic Conditions

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult, and in general, negatively impacts overall share prices and market conditions. Global equity markets have experienced significant volatility and weakness as a result of COVID-19. Such volatility and weakness in the global economy and equity markets more specifically may adversely affect the Company's ability to raise necessary capital.

In addition to the above, the Company is also subject to the following risks and uncertainties that can significantly affect its financial condition and future operations:

- The Company can provide no assurance that it will be able to generate sufficient free cash flow or obtain financing to meet its growth needs;
- Harvest One may not be able to achieve or maintain profitability and may continue to incur significant losses in the future;
- Harvest One does not use derivative instruments or hedges to manage risks because Harvest One's exposure to credit risk, interest rate risk and currency risk is small;
- The Company is subject to liquidity risks which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond the Company's control;
- Harvest One is exposed to foreign currency risk related to cash, accounts receivable and accounts payable and accrued liabilities that are denominated in a foreign currency;
- The Company may be subject to claims or complaints from investors in the ordinary course of business;
- The market price for Harvest One's Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Harvest One's control;
- The Lucky Lake Facility is currently not licensed by Health Canada under the *Cannabis Regulations* as a facility where the cultivation of cannabis is permitted;
- The Greenbelt Facility is currently not licensed by Health Canada under the Cannabis Regulations as a facility where the cultivation and processing of cannabis is permitted. The Company completed the disposition of the Greenbelt Facility on October 15, 2020;
- The construction of the Lucky Lake Facility has ceased since the beginning of the Strategic Review;
- Harvest One is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries;
- The success of cannabis 2.0 products may be significantly influenced by the public's perception of cannabis' medicinal and recreational applications;
- Harvest One relies on third party transportation services to deliver its products to its customers;
- Harvest One may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;
- The Company may have or has integration risks associated with all of its acquisitions;
- The anticipated benefits of new partnerships the Company is pursuing may have a material adverse effect on the Company's business, financial condition and results of operations, as well as its future prospect for acquisitions or partnerships;
- The success of Harvest One is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key employees;

- Certain of Harvest One's directors and officers are also directors and operators of other companies;
- MMJ is Harvest One's largest shareholder and will have a significant influence on determining the outcome of any corporate transaction or other matter submitted to shareholders for approval;
- Harvest One has not paid dividends in the past and does not anticipate paying dividends in the near future;
- There can be no assurance that an active and liquid market for Common Shares will be maintained and an investor may find it difficult to resell any securities of Harvest One;
- Harvest One may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's lawful cannabis business activities;
- The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success;
- Harvest One may be affected by possible political or economic instability;
- An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult;
- There is a risk that banking institutions in countries where the Company operates or intends to operate in the future will not accept payments related to the cannabis industry;
- The introduction of new products embodying new technologies and regulatory developments may render the Company's equipment obsolete and its products and services less competitive or less marketable;
- The Company holds finished goods in inventory and its inventory has a shelf life;
- The Company may not be able to maintain an effective quality control system;
- The Company's manufacturing processes are dependent upon third party contract manufacturers who own certain critical pieces of equipment which, on occasion, will be out of service due to routine scheduled maintenance or as a result of equipment failures;
- The Company is subject to credit risk of its customers, and its profitability and cash flow are dependent on receipt of timely payments from customers;
- Sales of the Company's products may be made pursuant to individual purchase orders or contracts and not under long-term commitment;
- The Company may in the future expand into other geographic areas, which could increase its operational, regulatory, compliance, reputational and foreign exchange rate risks;
- The Company's operations at various times may be exposed to political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction;
- The legal and regulatory requirements and local business culture and practices in the foreign countries in which the Company may expand are different from those in which it currently operates;
- Certain Common Shares held by the Company's directors, executive officers, Control Persons and certain other securityholders of the Company are subject to escrow and seed share resale restrictions pursuant to the policies of the TSX-V;
- The trading market for the Common Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about the Company or its business;
- The Company will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions;
- There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor;
- Harvest One, and its subsidiaries, operate in a new industry which is highly regulated, highly competitive and evolving rapidly, and as such management may not be able to predict all such risks or be able to predict how such risks may result in actual results;
- Harvest One will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters;
- Harvest One's operations are subject to a variety of laws, regulations and guidelines relating to the processing, management, transportation, storage, sale and disposal of medical and recreational cannabis infused products, but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment;

- The impact of changes in the regulatory enforcement by Health Canada under the *Cannabis Act* and the *Cannabis Regulations*, particularly in respect of product packaging, labelling, marketing, and advertising and promotions and product approvals and its impact on Harvest One's business are currently unknown;
- The evolving legal regime presents a risk to Harvest One in that legislators or the court may adopt changes that would have a negative impact on the business, financial condition or results of operations of the Company;
- Restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental, quasi-governmental bodies or voluntary industry associations may adversely affect Harvest One's ability to conduct sales and marketing activities and could have a material adverse effect on Harvest One's respective businesses, operating results and financial conditions;
- Those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses;
- The Company has operations in international markets and may have operations in emerging markets in the future, which may expose the Company to the socioeconomic conditions as well as the laws governing the cannabis industry in such countries;
- The price of processing, sale and distribution of cannabis infused products will fluctuate widely due to how young the cannabis industry is and is affected by numerous factors beyond Harvest One's control;
- Harvest One faces the inherent risk of product liability claims, regulatory actions and litigation if its products are alleged to have caused loss or injury;
- If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall;
- While Harvest One strives to obtain insurance coverage to address all material risks to which they are exposed and is adequate and customary in its current state of operations, the Company has recently relied on self insurance for certain properties and Directors and Officers' exposure due to lack of capacity in the insurance market to place these policies. Insurance policies in effect are subject to coverage limits and exclusions and may not be available for all the risks and hazards to which Harvest One is exposed;
- Although Harvest One believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis;
- The ability of Harvest One to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components;
- Harvest One may decide to invest with certain strategic investors and/or other third parties through joint ventures or other entities, and these parties may have different interests or superior rights to those of Harvest One;
- Harvest One must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry; and
- The Company is exposed to the risk that its employees, independent contractors, and consultants may engage in fraudulent or other illegal activity.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reporting amounts of assets and liabilities at the date of the consolidated financial statements and reporting amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the annual audited consolidated financial statements for the year ended June 30, 2020.

Areas that often require significant management estimates and judgement include biological assets and inventory, the estimated useful lives and depreciation of property, plant and equipment, the estimated useful lives and amortization of intangible assets, goodwill, share-based compensation, warrants, accruals, provisions and the determination of the functional currency. The following is an outline of the estimates that the Company considers as critical in the preparation of its consolidated financial statements:

- The Company fair values its biological assets and inventory which requires estimates and assumptions on the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, average selling price, wastage and expected yields for the cannabis plants.
- The Company has recorded depreciation and amortization which requires estimates of the useful lives and when the asset is available for use, which are determined through the exercise of judgment. The assessment of any impairment

of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of the assets.

- The Company has recorded certain warrants using the Black-Scholes Pricing Model, which requires key estimates such as the expected life of the warrants, the volatility of the Company's share price, and the risk-free interest rate.
- Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 – Business Combinations, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which entity is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.
- The Company performs an annual impairment test for goodwill and indefinite life intangible assets in the fourth quarter of its fiscal year by comparing the carrying value of each cash-generating unit ("CGU") containing the assets to its recoverable amount. At the end of each reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use. Determining whether an impairment has occurred requires valuation of the respective CGU, which management estimates using a discounted cash flow method. The discounted cash flow method uses estimates and assumptions, including actual operating results, future business plans, economic projections and market data.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. In the preparation of these consolidated financial statements, estimates are sometimes necessary to make a determination of future value or certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

MANAGEMENT'S REPORT ON DISCLOSURE CONTROLS AND PROCEDURES

Management of the Company has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented. There have been no significant changes in the Company's disclosure controls and procedures during the three months ended September 30, 2020.

LIMITATIONS OF CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.